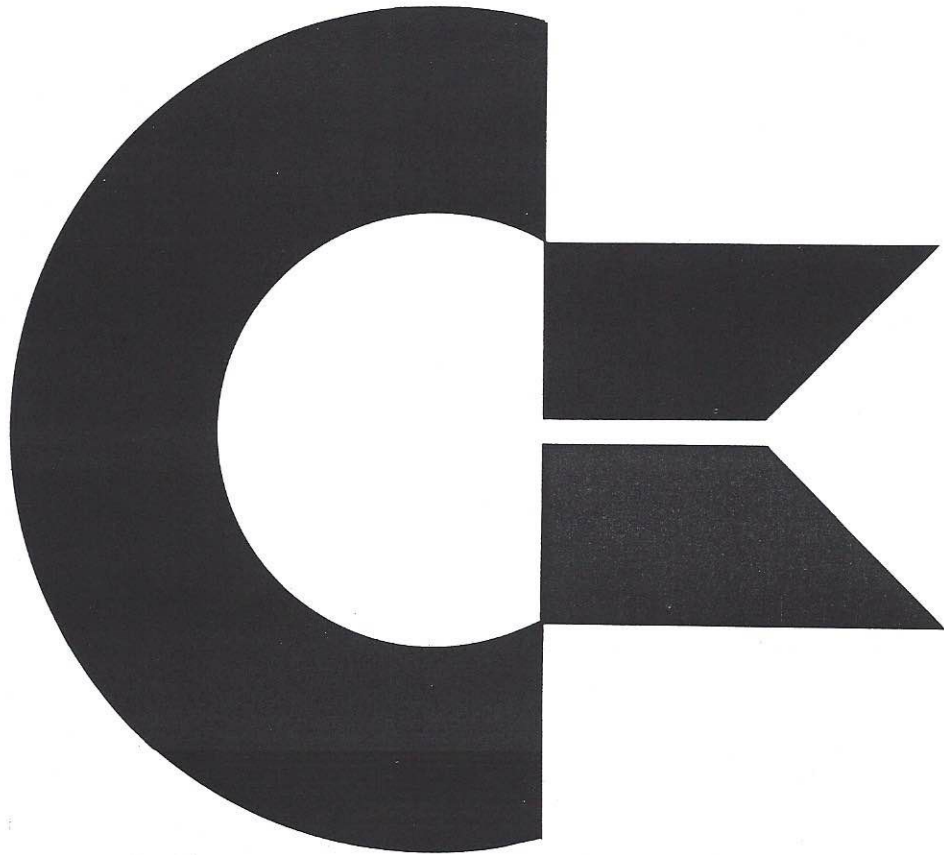


commodore



COMMODORE BUSINESS MACHINES (CANADA) LIMITED • 1965 ANNUAL REPORT

The President's Message

To the Shareholders:

In order that you may gain a better understanding of the financial information presented in this report, it is essential to refer briefly to the events of June 1965, which seriously disrupted the whole pattern of our Company's operations and future plans.

With the collapse of Atlantic Acceptance Corp. Limited, not only did the Company's major source of short term funds disappear, but in addition, because of unjust publicity and rumors linking our Company unfavorably with other companies which had failed or were about to do so in the wake of the Atlantic Acceptance collapse, all attempts by the Company to arrange alternative sources of financing to implement its policies and commitments were frustrated.

For the past few years, the Company's rapid growth and diversification had been financed to a large extent by short term loans from finance companies which were repaid, from time to time, from the proceeds of public and privately placed long term financing. Short term funds were generally available to the Company for expansion and diversification.

With this in mind, the Company contracted in April 1965 to purchase Willson Stationery and Envelopes Limited with short term funds. Prior to making this commitment, the Company had satisfied itself that long term re-financing would be available within six months after acquisition. By June 1965 the Company was irrevocably committed to this purchase and notwithstanding the adverse conditions the transaction was completed. Failure to do so would have resulted in the immediate loss to the Company of its deposit of \$100,000. Exhaustive efforts were then made to re-finance this project on a long term basis as originally planned, but under the conditions prevailing at the time our efforts proved futile. Because of the pressing and urgent need to repay the short term funds borrowed to acquire Willson, a decision was made to sell that subsidiary to avoid seriously jeopardizing the financial position of Commodore. Though in the final analysis a loss was sustained, we would point out that the sale price was in excess of the purchase price, the loss being attributable to expenses of acquisition and sale.

In view of the events of June 1965, our past policies had to be reviewed and drastic changes made to direct the Company on a more conservative path. It was decided that the Company would concentrate on products which it had been manufacturing successfully and profitably, and on those lines of merchandise most profitable to distribute. This resulted in the termination of low profit activities, the liquidation of some assets no longer required in our operations, and the write-down of slower moving inventory in an effort to dispose of it more rapidly, thereby providing the Company with additional operating funds. These decisions adversely affected our statement of operations presented in this report.

As a result of expanded operations in the past fiscal year we experienced an increase in operating and financial expenses. The consolidation this year of Willy Feiler Zahl and Rechenwerke GmbH and Pearlsound Distributors Limited into this statement of operations accounts for the major portion of the increase in the figures presented, and makes a true comparison with last year's statement difficult. The greatest portion of the loss sustained this year resulted from non-recurring write-offs and allowances for loans, notes, and receivables, which appear to be uncollectible as a result of the same events in June 1965.

The first few months of our current fiscal year have been difficult ones. The Directors and management of your Company have had to fight a constant battle against insidious rumors which undermined the reputation of the Company. Fortunately we had some strong support and despite many difficulties the basic Commodore organization has remained intact. In fact, our sales are presently higher than sales for the same period last year, and it is a source of great satisfaction to have the continued support of our many dealers who are purchasing our products in ever-increasing quantities.

During the past year we have invested more than \$600,000 in new machinery and plant equipment to further increase our output of adding machines, and to complete the set-up of the office furniture manufacturing facilities. The first deliveries of this furniture were made in the Spring of 1965. The Company was

Berlin, Germany: Plant

Toronto, Ontario: Office and Plant

Shannon, Ireland: Plant

also committed to substantial capital expenditures to set up the production and assembly of our new electric portable typewriter.

We are indeed pleased to advise you that progress in our plants has continued unimpaired and all our commitments and schedules have been met. Our Berlin plant is operating at full capacity and our Offenburg plant is now entering a new phase of production. Until recently this plant concentrated on production of parts for our other plants, but has now started to manufacture complete machines including a new sterling/decimal adding machine developed by us. The United Kingdom and other sterling currency countries will provide a vast market for this new model. Set-backs have been experienced at the Shannon plant which have resulted in an operating loss in the fiscal year 1965. With the start of the sterling/decimal model at Offenburg, sterling model adding machine production in Shannon has been discontinued and a total switch-over has been made to the simpler production of decimal hand adding

machines. This simplification of operations should result in a substantial profit in the current fiscal year.

Though the operations of the Company are moving along as scheduled, the financial problems are yet to be surmounted. Recently, short term funds were obtained to help meet some of the more pressing commitments but long term financing will have to be found.

In the wake of the Atlantic Acceptance collapse, claims have been made against the Company for substantial sums of money. All of these claims are being vigorously contested.

In conclusion, while it is true that there are serious problems yet to be resolved, it is also true that the Company has made some progress in overcoming the difficulties outlined at the beginning of this report. Management is striving to reorganize the financial structure of the Company and it is hoped that with the sales of profitable products with proven acceptance and the elimination of low profit activities, we can look forward to the future with confidence.

Respectfully submitted,

A handwritten signature in cursive script, reading "Jack Tramiel". The signature is fluid and stylized, with a large, sweeping initial "J".

JACK TRAMIEL
President.

January 12, 1966

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS
FOR THE YEAR ENDED JUNE 30, 1965
(With Comparative Figures for 1964)

Statement

| | 1965* | 1964 |
|--|----------------------|--------------------|
| Revenues | \$7,726,531 | \$5,088,449 |
| Gross Profit | <u>\$1,528,556</u> | <u>\$1,592,541</u> |
| Expenditures — Operations | | |
| Selling Expenses | 779,966 | 681,565 |
| Managing Directors' Salaries | 47,792 | 35,944 |
| Directors' Fees | 2,150 | 2,600 |
| General and Administrative Expenses | 549,279 | 194,949 |
| Exchange Adjustments | 8,261 | 1,073 |
| | <u>\$1,387,448</u> | <u>\$ 916,131</u> |
| Net Profit from Operations before Financial Expenses, Depreciation and Income Taxes | <u>\$ 114,108</u> | <u>\$ 676,410</u> |
| Financial Expenses and Depreciation | | |
| Interest on Long Term Notes | 27,453 | 36,502 |
| Interest on Debentures and Subordinated Notes | 187,073 | 116,390 |
| Amortization of Cost of Issue of Debentures and Notes | 12,165 | 8,417 |
| Other Financial Expenses | 147,464 | 135,972 |
| Depreciation Charges | 314,492 | 51,718 |
| | <u>\$ 688,647</u> | <u>\$ 348,999</u> |
| Net Profit (Loss) from Operations before Income Taxes | (547,539) | 327,411 |
| Deduct — Provision for Income Taxes — 1964 | — | 151,986 |
| — Estimated Income Tax Refunds — 1965 | 138,099 | — |
| | (409,440) | 175,425 |
| Add — Non-Recurring Profit — 1964 | — | 15,000 |
| — Non-Recurring Losses and Adjustments Relating to Prior Years (Net) 1965 | (642,274) | — |
| Net Profit (Loss) | <u>(\$1,051,714)</u> | <u>\$ 190,425</u> |

*Includes sales and expenses of Willy Feiler Zahl und Rechenwerke G.M.B.H. and Pearlsound Distributors Limited which were not included in the consolidation for 1964.

Balance Sheet

COMMODORE BUSINESS M
AND ITS WHOLLY-OWNED

CONSOLIDATED
AS AT JUL
(With Comparativ

ASSETS

Current Assets

| | 1965 | 1964 |
|--|--------------------|--------------------|
| Cash on Hand and on Deposit | \$ 95,138 | \$225,763 |
| Time Deposit | — | 408,307 |
| Accounts and Notes Receivable | 1,424,931 | 1,594,174 |
| Less — Provision for Doubtful Accounts | (76,983) | (29,886) |
| Discounts, Rebates and Deposits Receivable | 52,029 | 64,824 |
| Loans Receivable — Shareholders | — | 9,620 |
| Deposits and Loans Receivable — Others | 233,895 | 109,434 |
| Less — Provision for Possible Loss | (178,729) | — |
| Marketable Securities (At Lower of Cost or Market) | 4,671 | 4,755 |
| Estimated Income Tax Refunds Receivable | 219,093 | — |
| Prepaid Expenses and Factory Supplies | 19,167 | 17,876 |
| Merchandise Inventory (At Lower of Cost or Market) | 2,336,461 | 1,932,676 |
| | <u>\$4,129,673</u> | <u>\$4,337,545</u> |

Investments and Advances

| | | |
|--|--------------------|--------------------|
| Investments in Other Corporations (2) | 470,700 | 1,766,177 |
| Advances to Other Corporations (3) | 611,019 | 330,784 |
| Mortgage Receivable — 7%, Due May 19, 1968 | 82,500 | — |
| | <u>\$1,164,219</u> | <u>\$2,096,961</u> |

Fixed Assets

| | | |
|---|--------------------|-------------------|
| Land — Cost | 34,801 | 39,590 |
| — Excess of Appraised Value Over Cost — Appraised April 23, 1965 by M. Goldman Real Estate Limited | 63,161 | — |
| Buildings — Cost | 343,358 | 71,674 |
| Tools, Machinery and Equipment — Cost | 1,589,897 | 271,612 |
| Dies and Moulds — Cost, Less Amortization | 82,191 | 13,636 |
| Automotive Equipment — Cost | 31,538 | 33,320 |
| Leasehold Improvements — Cost | 12,425 | 28,800 |
| | <u>2,157,371</u> | <u>458,654</u> |
| Less — Accumulated Depreciation | 609,052 | 205,628 |
| | <u>\$1,548,319</u> | <u>\$ 253,026</u> |

Other Assets

| | | |
|---|---------------------------|---------------------------|
| Franchise and Manufacturing Rights | 31,000 | 31,000 |
| Organization Expense | 17,178 | 6,593 |
| Deferred Product Research and Development Expense (4) | 194,533 | 33,510 |
| Deferred Market Development Expense | — | 47,269 |
| Excess of cost of Investment in Subsidiaries (5a) | 464,802 | — |
| Goodwill (5b) | 581,099 | 206,140 |
| Commissions and Expenses on Sale of: | | |
| Capital Stock | 142,049 | 89,549 |
| Debentures and Notes (Less Amortization) | 114,494 | 99,409 |
| | <u>\$1,545,155</u> | <u>\$ 513,470</u> |
| Total Assets | <u><u>\$8,387,366</u></u> | <u><u>\$7,201,002</u></u> |

See Notes to the Consolidated Balance Sheet, which form an integral part of the above and should be read in conjunction therewith.

MACHINES (CANADA) LIMITED
 ED SUBSIDIARY COMPANIES⁽¹⁾

D BALANCE SHEET
 JUNE 30, 1965
 (ive Figures for 1964)

LIABILITIES

Current Liabilities

| | 1965 | 1964 |
|--|--------------------|--------------------|
| Accounts and Notes Payable and Payments in Transit | \$2,270,978 | \$1,464,045 |
| Bank Loans (6) | 663,011 | 439,563 |
| Sales Taxes and Employees' Deductions Payable | 17,763 | 10,019 |
| Provision for Income Taxes Payable | — | 169,910 |
| Advances from Finance Companies | — | 961,996 |
| Loans Payable — Shareholders | 23,404 | — |
| Loans Payable — Others | 55,803 | — |
| Mortgages Payable — Current Portion | 1,200 | 1,200 |
| Long Term Notes Payable — Current Portion (11) | — | 86,006 |
| | <u>\$3,032,159</u> | <u>\$3,132,739</u> |

Long Term Liabilities (7)

| | | |
|---|--------------------|--------------------|
| Long Term Notes Payable (11) | — | 283,819 |
| Mortgages Payable | 84,900 | 116,100 |
| 7% Convertible Sinking Fund Debentures Series "A" | 738,500 | 923,000 |
| 7% Convertible Sinking Fund Debentures Series "B" | 540,000 | 600,000 |
| 7% Convertible Sinking Fund Debentures Series "C" | 600,000 | 600,000 |
| 6¾% Subordinated Notes Series "A" | 1,000,000 | — |
| | <u>\$2,963,400</u> | <u>\$2,522,919</u> |

Other Liabilities

| | | |
|---|---------------------------|---------------------------|
| Deferred Corporate and Municipal Income Taxes | 97,551 | — |
| Due to Employees' Benefit Fund | 77,764 | — |
| Reserve for Employee's Pension Plan | 54,120 | — |
| | <u>\$ 229,435</u> | <u>—</u> |
| Total Liabilities | <u>\$6,224,994</u> | <u>\$5,655,658</u> |

SHAREHOLDERS' EQUITY

Capital Stock

| | | |
|--|------------------|----------------|
| Authorized (8) (10) | | |
| 3,000,000 Common Shares Without Par Value | | |
| 200,000 Preference Shares With a Par Value of \$10.00 Each | | |
| Issued (9) | | |
| 989,181 5/20 Common Shares Without Par Value | 1,263,892 | 829,382 |
| 100,000 Preference Shares @ \$10.00 Par Value (12) | 1,000,000 | — |
| | <u>2,263,892</u> | <u>829,382</u> |

Surplus

| | | |
|---|---------------------------|---------------------------|
| Earned Surplus (Deficit) | (442,993) | 437,650 |
| Appraisal Surplus — Land | 63,161 | — |
| Contributed Surplus | 245,168 | 245,168 |
| Capital Surplus | 33,144 | 33,144 |
| | <u>(101,520)</u> | <u>33,144</u> |
| Total Shareholders' Equity | <u>\$2,162,372</u> | <u>\$1,545,344</u> |
| Total Liabilities and Shareholders' Equity | <u>\$8,387,366</u> | <u>\$7,201,002</u> |

Contingent Liabilities: \$303,915 (11)

Approved on Behalf of the Board of Directors:

JACK TRAMIEL, Director MANFRED KAPP, Director

Notes to the Consolidated Balance Sheet as at June 30, 1965

- (1) The accounts of the following wholly-owned subsidiaries are included in the consolidated statements:

Associated Tool and Manufacturing Company Limited and its wholly-owned subsidiary, Shelburne Tool Company Limited—Toronto, Ontario
 Belpree Company Limited—Toronto, Ontario
 Commodore Drycopy, Inc.—Freeport, N.Y.
 Commodore Drycopy Limited—Toronto, Ontario
 Commodore Business Machines, Inc.—Freeport, N.Y.
 Fenix Manufacturing Limited—Toronto, Ontario
 Humber Typewriters and Business Equipment Limited—Toronto, Ontario
 Pearlson Distributors Limited—Toronto, Ontario
 Willy Feiler Zahl und Rechenwerke GMBH.—West Germany

For the purposes of consolidation, the current assets and all liabilities of the foreign subsidiaries have been converted at the rate of exchange prevailing at the balance sheet date, and expenses and revenues at the average rate of exchange for the year. The fixed and other assets have been converted at the rate of exchange prevailing at the time of acquisition.

- (2) Investments in other corporations are as follows: % Held Amount

(a) Commodore Industries Limited—Republic of Ireland..... 100 % \$302,460

This represents the acquisition of all the authorized and issued capital stock of the above-named company. The accounts of this company have not been consolidated because audited statements are not yet available for the period ended June 30, 1965. The delay is attributable to negotiations pending with the Republic of Ireland regarding grants to be received.

(b) International Typewriter Corporation—Los Angeles, California..... 50 % 28,378

The interest in this company, which was acquired in 1964 was sold on October 29, 1965 for \$28,378.

(c) Willson Stationers and Envelopes Limited—Winnipeg, Manitoba..... 99.744 % 139,862

This company was acquired on June 23, 1965, for a total cost, including expenses, of..... \$3,084,353
 Less—Short term loan arranged to finance this purchase..... 2,944,491

Net Investment..... \$ 139,862

This company was sold subsequent to balance sheet date. As a result of the sale, a loss of \$117,322 was sustained.

TOTAL..... \$470,700

- (3) Advances to other corporations are as follows:

| | 1965 | 1964 |
|---|-----------|-----------|
| Commodore Industries Limited—Republic of Ireland..... | \$611,019 | \$212,733 |
| Other Foreign Corporations..... | — | 118,051 |
| TOTAL..... | \$611,019 | \$330,784 |

- (4) Deferred Product Research and Development Expense:

| | 1965 | 1964 |
|--|-----------|-----------|
| Belpree Company Limited—Stair Climbing Wheel Chair..... | \$ 37,592 | \$ 33,510 |
| Willy Feiler Zahl und Rechenwerke GMBH.—Electric portable typewriter and various other new products..... | 156,941 | — |
| TOTAL..... | \$194,533 | \$ 33,510 |

- (5) (a) Excess of Cost of Investment in Subsidiaries:

| | 1965 | 1964 |
|---|-----------|-----------|
| Where purchase price of the Subsidiaries exceeded the net book value thereof..... | \$464,802 | \$206,140 |

- (b) Goodwill:

| | 1965 | 1964 |
|--|-----------|------|
| This represents the estimated value of tools and dies acquired from a predecessor company by Willy Feiler Zahl und Rechenwerke GMBH..... | \$581,099 | — |

- (6) Bank Loans are Secured as follows:

| | |
|--|-----------|
| —General assignment of accounts receivable by Associated Tool and Manufacturing Company Limited..... | \$ 6,000 |
| —General assignment of accounts receivable by Humber Typewriters and Business Equipment Limited..... | 25,000 |
| —Floating Charge Debenture issued by Belpree Company Limited..... | 120,000 |
| —Property at Offenberg, West Germany, subject to a First Mortgage Contract which secures a line of credit up to \$270,000..... | 192,011 |
| —Shares of Associated Tool and Manufacturing Company Limited and Belpree Company Limited..... | 320,000 |
| TOTAL..... | \$663,011 |

- (7) Long Term Liabilities:

- (a) Mortgages Payable:

(i) \$70,000—Interest @ 7½ %—Collaterally Secured by a first charge against land and buildings owned by a Subsidiary. The balance of principal is due on June 1, 1970.

(ii) \$16,100—Interest @ 6 %—Collaterally Secured by a charge against the chattels of a Subsidiary. The final payment is due on March 1, 1967.

- (b) 7% Convertible Sinking Fund Debentures:

| Series | Dated | Maturity Date | Authorized | Issued | Redeemed or Converted During Year | Outstanding | Next Sinking Fund Payment Due |
|--------|---------------|---------------|-------------|-------------|-----------------------------------|-------------|-------------------------------|
| "A" | Nov. 1, 1962 | Nov. 1, 1974 | \$1,000,000 | \$1,000,000 | \$184,500 | \$738,500 | Nov. 1, 1966 |
| "B" | Apr. 15, 1963 | May 1, 1975 | 600,000 | 600,000 | 60,000 | 540,000 | May 1, 1967 |
| "C" | Apr. 1, 1964 | Apr. 1, 1976 | 1,000,000 | 600,000 | — | 600,000 | Apr. 1, 1967 |

These 7% debentures have been issued pursuant to a trust indenture and supplementary trust indentures made between the Company and Montreal Trust Company. These debentures are secured by a floating charge on all property and assets of the Company, subject only to secured bank and finance company loans made in the ordinary course of business, not to exceed \$1,000,000.00 in the aggregate principal amount.

The trust indentures pursuant to which the 7% convertible sinking fund debentures series "A", "B", and "C" are issued, contain provisions restricting the payment of dividends by the Company and restricting the issue of any additional debentures.

(c) 6¾ % Subordinated Notes Series "A":

| Series | Dated | Matures | Issued | Redeemed | Outstanding |
|--------|--------------|--------------|-------------|----------|-------------|
| "A" | Dec. 1, 1964 | Dec. 1, 1969 | \$1,000,000 | — | \$1,000,000 |

At a meeting of the Board of Directors of the Company held on December 21, 1964, the creation of unsecured subordinated notes was authorized and the Company then authorized for immediate issue, \$1,000,000 principal amount of 6¾ % subordinated notes, first series. These subordinated notes have been issued pursuant to a trust indenture made between the Company and Montreal Trust Company.

(8) Capital Stock—Authorized:

By resolution of the Board of Directors, dated October 7, 1964, and subsequently confirmed by the Shareholders of the Company at a special general meeting held on November 18, 1964, application for Supplementary Letters Patent was made to the Lieutenant Governor of the Province of Ontario for the following purposes:

- To increase the authorized capital of the Company from 2,000,000 Common Shares without par value to 3,000,000 Common Shares without par value; and
- To create 200,000 Preference Shares with a par value of \$10.00 each, issuable in series, the first series of which designated "Series A Preference Shares" consists of 100,000 6% Cumulative, Redeemable, Convertible Preference Shares, Series A, with a par value of \$10.00 each.

(9) Shares issued during the year ended June 30, 1965 are as follows:

| Common Shares: | | Shares |
|---|-------------|--------------|
| Balance—as at July 1, 1964..... | \$ 829,382 | 835,550 |
| Add—Exercise of Employees' Stock Options..... | 113,594 | 41,875 |
| —Exercise of Series "A" Warrants..... | 2,250 | 500 |
| —Conversion of Series "A" Debentures..... | 184,500 | 46,125 |
| —Conversion of Series "B" Debentures..... | 60,000 | 12,000 |
| —Issue of Shares as Consideration for the Purchase of 100% of the Outstanding Stock of "Pearl-sound Distributors Limited" on April 7, 1965..... | 70,000 | 7,500 |
| —Stock Dividend —I..... | 4,166 | 45,631 5/20 |
| Balance—as at June 30, 1965..... | \$1,263,892 | 989,181 5/20 |
| Preference Shares: | | |
| Balance—as at July 1, 1964..... | Nil | Nil |
| Add—Sale of 100,000 Shares on December 29, 1964 for cash..... | \$1,000,000 | 100,000 |
| Balance—as at June 30, 1965..... | \$1,000,000 | 100,000 |

(10) The following shares have been reserved:

- For the exercise of share purchase warrants which entitle the holders thereof to purchase fully paid, non-assessable common shares at the exercise price on or before the dates at which the warrants become void:—

| Series | Void After | Warrants Issued | Exer-cise Price | Warrants Out-standing | Shares Reserved |
|--------|--------------|-----------------|-----------------|-----------------------|-----------------|
| "A" | Nov. 1, 1974 | 200,000 | \$4.50 | 199,200 | |
| "B" | May 1, 1975 | 120,000 | 5.50 | 120,000 | |
| "C" | Apr. 1, 1976 | 120,000 | 5.50 | 120,000 | 439,200 shs. |

- For the conversion privilege attached to the 7% convertible sinking fund debentures, wherein the holders thereof may convert the said debentures into fully paid and non-assessable common shares at the conversion price on or before the expiry date for the conversion privilege:—

| Series | Expiry Date | Deben-tures Outstanding | Conver-sion Price | Shares Reserved |
|--------|---------------|-------------------------|-------------------|-----------------|
| "A" | Oct. 31, 1974 | 738,500 | \$4.00 | 184,625 |
| "B" | Apr. 30, 1975 | 540,000 | 5.00 | 108,000 |
| "C" | Mar. 31, 1976 | 600,000 | 5.00 | 120,000 |
| | | | | 412,625 shs. |

- For options granted to employees to purchase fully paid and non-assessable common shares:—
At \$4.05 Per Share..... 18,125 shs.
- For the conversion privilege attached to the 6% preference shares, which entitles the holders thereof to convert each preference share held into 1½ fully paid and non-assessable common shares of the Company. The rate of conversion changes on April 2, 1967. The conversion privilege expires on April 1, 1970..... 133,333⅓ shs.

SHARES RESERVED..... 1,003,283⅓ shs.

(11) The Company and its wholly-owned, consolidated subsidiaries are contingently liable for the following items:

- Residual balances of long term notes payable were applied against a deposit made with a finance company. Since the company with which these transactions took place is a member of the Atlantic Acceptance Group, it is not clear as to what litigation, if any, may result in connection with this transaction. Opinion of legal counsel has been requested in this matter. Should this contingency materialize, the claims against the finance company will be increased by a like amount..... \$292,702
- Letters of credit outstanding and not due, for merchandise not received as at the balance sheet date..... 11,213 \$

TOTAL..... \$303,915

(12) Dividends in arrears on Preference Shares..... \$ 30,000

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED JUNE 30, 1965
(With Comparative Figures for 1964)

| | 1965 | 1964 |
|--|---------------------|-------------------|
| EARNED SURPLUS (DEFICIT) | | |
| Surplus — as at July 1 (Opening) | \$ 437,650 | \$ 257,573 |
| Add — Surplus, Willy Feiler Zahl Und Rechenwerke, Not previously Consolidated | 177,617 | — |
| — Consolidated Net Profit | — | 190,425 |
| — Income Tax Adjustments Re Prior Years | 2,841 | (4,618) |
| | <u>\$ 618,108</u> | <u>\$ 443,380</u> |
| Deduct — Consolidated Net Loss | 1,051,714 | — |
| — Managing Officers' Life Insurance Premiums | 5,221 | 5,730 |
| — Stock Dividend #1 — On Common Shares | 4,166 | — |
| | <u>\$1,061,101</u> | <u>\$ 5,730</u> |
| Surplus (Deficit) — as at June 30 | <u>(\$ 442,993)</u> | <u>\$ 437,650</u> |
| CONTRIBUTED SURPLUS | | |
| Balance — as at June 30 | <u>\$ 245,168</u> | <u>\$ 245,168</u> |
| CAPITAL SURPLUS | | |
| Balance — as at June 30 | <u>\$ 33,144</u> | <u>\$ 33,144</u> |
| APPRAISAL SURPLUS | | |
| Balance — as at July 1 (Opening) | — | — |
| Add — Excess of Appraised Value of Land Over Cost as Per Appraisal Made on April 23, 1965 by M. Goldman Real Estate Limited. | 63,161 | — |
| Balance — as at June 30 | <u>\$ 63,161</u> | <u>\$ —</u> |

Auditors' Report

To the Shareholders,
Commodore Business Machines (Canada) Limited,
Toronto, Ontario.

We have examined the consolidated balance sheet of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as at June 30, 1965 and the statement of consolidated earnings and the statements of consolidated surplus for the year ended on that date. In connection with the parent Company and its wholly-owned Canadian subsidiaries, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The accounts of Willy Feiler Zahl und Rechenwerke GMBH. were examined by Arthur Andersen & Co. of West Germany, and are included in the consolidated statements on the basis of their reports.

The accounts of the two consolidated American subsidiaries were examined by Mr. Leon Davis, Certified Public Accountant, resident of New York and are included in the consolidated statements on the basis of his report qualified by the fact that "although I was not in attendance at the taking of physical inventory as at June 30, 1965, I have conducted an examination of the inventory records and other supporting evidence

and I have been satisfied that the inventory is reasonable and has been valued at the lower of cost or market, consistent with the method applied in previous years."

In our opinion, based on our examination and the reports of the auditors for the foreign subsidiaries, and according to the best of our information and explanations given to us, the accompanying consolidated balance sheet and related statements present fairly the financial position of the Company as at June 30, 1965 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year, except that for 1965, the accounts of Willy Feiler Zahl und Rechenwerke GMBH., have been included in the consolidation, a change with which we concur.

ROSE & HARRISON,
Chartered Accountants.
TORONTO, November 23, 1965

| | |
|-----------------------------------|---|
| Directors | JACK TRAMIEL—TORONTO <i>President</i> |
| | MANFRED KAPP—TORONTO <i>Executive Vice-President</i> |
| | RENNIE A. GOODFELLOW—TORONTO <i>Partner, Barrett Goodfellow & Co.</i> |
| | CARL M. SOLOMON—TORONTO <i>Partner, Solomon, Singer & Solway</i> |
| Officers | JACK TRAMIEL <i>President</i> |
| | MANFRED KAPP <i>Secretary-Treasurer</i> |
| | THOMAS MCGOURTY <i>Vice-President, Manufacturing</i> |
| Head Office | 946 Warden Avenue, Scarborough, Ontario |
| Operating Subsidiary Companies | Commodore Business Machines (Canada) Limited Humber Typewriters & Business Equipment Ltd.— Toronto, Ontario |
| | Belpree Co., Limited—Scarborough, Ontario |
| | Associated Tool & Manufacturing Ltd.—Downsview, Ontario |
| | Commodore Business Machines Inc.—Freeport, N.Y. |
| | Commodore Industries Limited—Shannon, Ireland |
| | Willy Feiler Zahl-und Rechenwerke GmbH— Berlin, West Germany |
| Transfer Agent and Registrar | Share Capital: Eastern & Chartered Trust Co.— Toronto & Montreal |
| | Debentures: Montreal Trust Co.— Toronto & Montreal |
| Auditors | Rose & Harrison, Chartered Accountants—Toronto |
| Counsel | Solomon, Singer & Solway—Toronto |
| Listing | Canadian Stock Exchange—Montreal |

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